

Internal Revenue Service

Number: **202036002**

Release Date: 9/4/2020

Index Numbers: 7701.00-00, 7701.02-00

Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:PSI:B03

PLR-106183-20

Date:

May 20, 2020

Legend

X =

Y =

Z =

State1 =

State2 =

Date1 =

Date2 =

Date3 =

Dear :

This letter responds to a letter dated March 2, 2020, submitted on behalf of X, requesting a ruling under § 301.7701-3(c)(1)(iv) of the Procedure and Administration Regulations. Specifically, your letter requests the Service's consent to change X's entity classification from an association taxable as a corporation to a partnership effective Date3.

FACTS

The information submitted states that on Date1, X was formed under the laws of State1 as a limited liability company. On Date2, X filed a Form 8832, Entity Classification Election, to change its classification from being disregarded as an entity separate from its owner to an association taxable as a corporation for federal tax purposes. On Date3, Y, a State2 corporation, acquired more than fifty percent of the outstanding ownership interests in X. Y is a wholly-owned subsidiary of Z, a State2 publicly-traded corporation.

X represents that, on Date3, X experienced a change in its ownership interests of more than fifty percent that would satisfy § 301.7701-3(c)(1)(iv). X further represents that, prior to Date3, Y, Z, and the other subsidiaries of Z did not hold any ownership interests in X.

LAW AND ANALYSIS

Section 301.7701-3(a) provides that a business entity that is not classified as a corporation under § 301.7701-2(b)(1), (3), (4), (5), (6), (7) or (8) (an eligible entity) can elect its classification for federal tax purposes as provided in § 301.7701-3. Elections are necessary only when an eligible entity does not want to be classified under the default classification or when an eligible entity chooses to change its classification.

Section 301.7701-3(b)(1) provides that, unless the entity elects otherwise, a domestic eligible entity is (i) a partnership if it has two or more members; or (ii) disregarded as an entity separate from its owner if it has a single owner.

Section 301.7701-3(c)(1)(i) provides that, except as provided in § 301.7701-3(c)(1)(iv) and (v), an eligible entity may elect to be classified other than as provided under § 301.7701-3(b), or to change its classification, by filing Form 8832 with the service center designated on Form 8832.

Section 301.7701-3(c)(1)(iii) provides that an election made under § 301.7701-3(c)(1)(i) will be effective on the date specified by the entity on the Form 8832 or on the date filed if no date is specified on the election form. The effective date specified on Form 8832 cannot be more than 75 days prior to the date on which the election is filed and cannot be more than 12 months after the date on which the election is filed.

Section 301.7701-3(c)(1)(iv) provides that, if an eligible entity makes an election under § 301.7701-3(c)(1)(i) to change its classification, the entity cannot change its classification by election again during the sixty months succeeding the effective date of the election. However, the Commissioner may permit the entity to change its classification by election within the sixty months if more than fifty percent of the ownership interests in the entity as of the effective date of the subsequent election are

owned by persons that did not own any interests in the entity on the filing date or on the effective date of the entity's prior election.

CONCLUSION

Based solely on the information submitted and the representations made, we consent to X changing its entity classification to a partnership for federal tax purposes effective Date3 under § 301.7701-3(c)(1)(iv). X should file a Form 8832, Entity Classification Election, with the appropriate service center and attach a copy of this letter to the election.

Except as expressly provided herein, we express or imply no opinion concerning the federal tax consequences of any transaction or item discussed or referenced in this letter. Specifically, we express or imply no opinion regarding whether X is otherwise eligible to make the election.

The ruling contained in this letter is based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the ruling request, it is subject to verification on examination.

This ruling is directed only to the taxpayer requesting it. According to § 6110(k)(3), this ruling may not be used or cited as precedent.

In accordance with the power of attorney on file with this office, we are sending copies of this letter to X's authorized representatives.

Sincerely,

Richard T. Probst
Senior Technician Reviewer, Branch 3
Office of the Associate Chief Counsel
(Passthroughs & Special Industries)

Enclosures (2)

Copy of this letter

Copy for § 6110 purposes

cc: